Retiree Health Care Authority

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NEW MEXICO RETIREE HEALTH CARE AUTHORITY

The New Mexico Retiree Health Care Authority fosters quality of life and peace of mind by responsibly administering affordable, secure health care benefits for public retirees and their families.

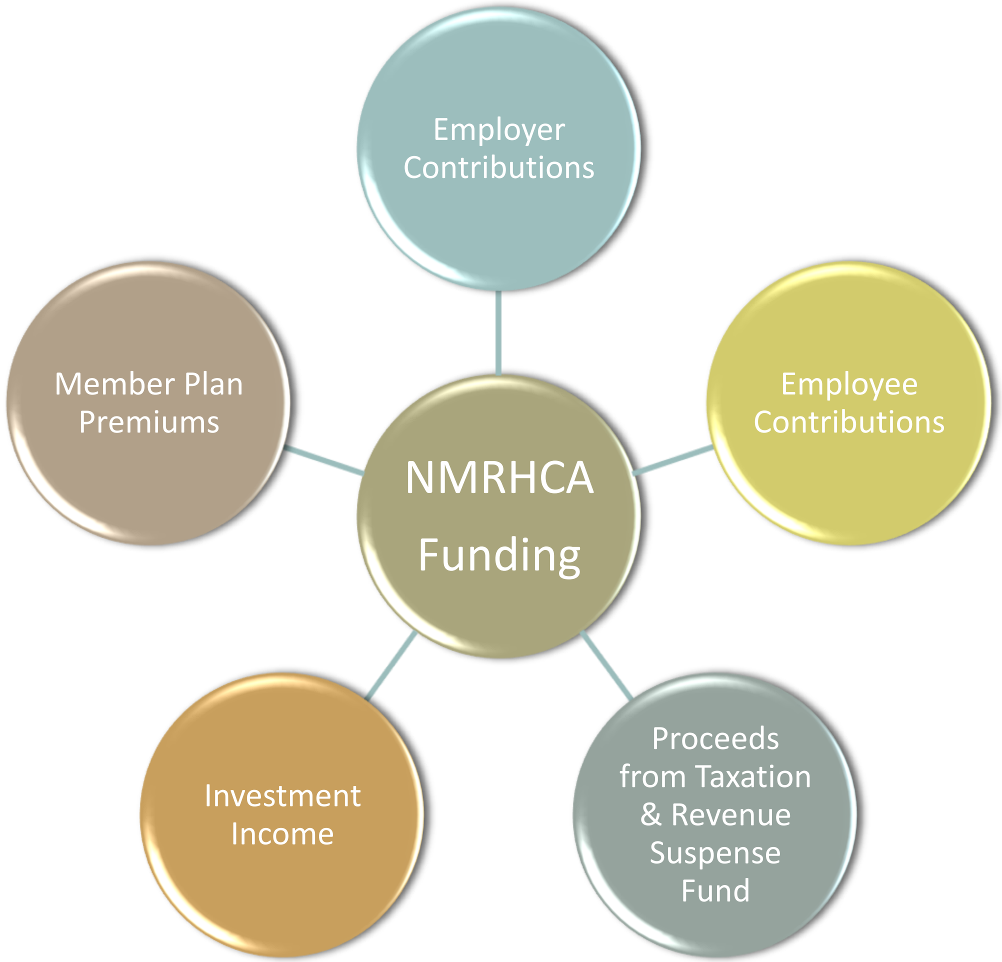
NMRHCA provides medical, dental, vision, and life insurance coverage to 50,000 members in both Medicare and Non-Medicare plans.

300 Participating Entities

Prescription drug plans for all medical plans.

NMRHCA has annual expenditures of $235 million.

Sources of Funding



How We Are Doing

2007

- Plan set to be insolvent in 2014
- $4.1 billion unfunded liability
- $176 million fund balance
- **Action**: Subsidies reduced significantly and retirees pay higher premiums

2009

- Plan set to be insolvent in 2019
- **Action**: Active employer/employee increase and retirees pay higher out-of-pocket costs when accessing care with significant changes to plan designs

2011

- Plan solvent through 2027
- $190 fund balance
- $3.3 billion unfunded liability
- **Action**: Adopt 5-year sustainability plan balancing cost increases between the three stakeholders

Result: Specific actions assure solvency through 2027

Ensure that the program remains solvent through shared responsibility.

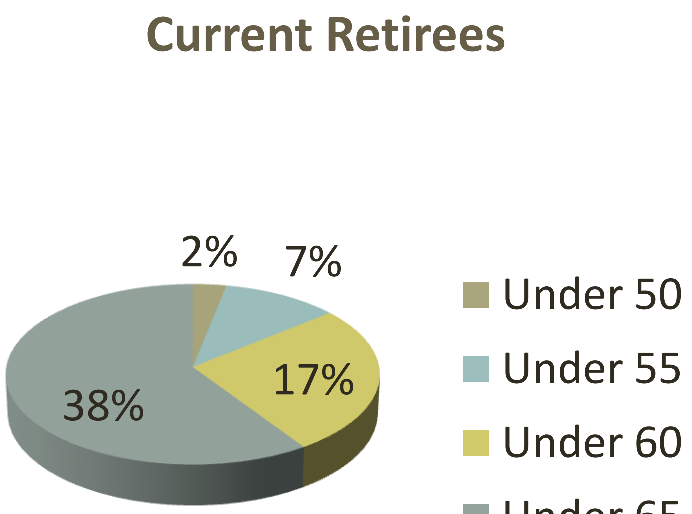
- **Active employees** currently pay 1% of salary toward retiree benefits. This will have to be increased over time.
- **Public employers** currently pay 2% of salary toward retiree benefits. This will either have to be increased or the percentage paid by active employees will have to be increased further.
- **Current retirees** pay about 50% of their total premiums (retirees are subsidized more, spouses less, and dependents not at all). This will need to be adjusted or plan designs will have to bring down expenses (or a combination of the two).

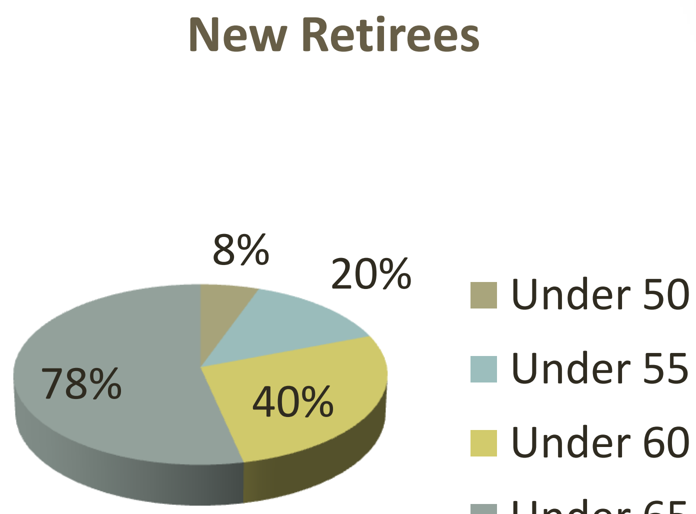
Sustainability Plan Under Discussion

- Increase pre-Medicare plan deductibles and/or combine plans into one option instead of the current two
- Increase prescription copayments
- Increase active employer/employee contributions by 1% over three years beginning in FY16
- Reduce subsidies for younger retirees

RESULT: Solvency could be extended to 2035 and result in modest reduction to unfunded liability

NMRHCA Demographics





A significant percentage of new retirees entering NMRHCA's program could be affected by any minimum retirement age. Given NMRHCA's current solvency period (15 years), any positive impact would be contingent on the extent to which it would impact current employees.

Impact of Minimum Age for PERA and ERB

Implementation Strategy	Savings (1st Year of Impact)	Solvency Impact
Impact of Minimum Age of 55		
5 Year Safe Harbor	$6 million	+ 2 years
10 Year Safe harbor	$8 million	+ 1 year
New Hires*	N/A	N/A
Impact of Minimum Age of 60		
5 Year Safe Harbor	$14 million	+ 4 years
10 Year Safe Harbor	$18 million	+ 2 years
New Hires*	N/A	N/A

* Any minimum age requirement impacting only newly hired employees would not provide material savings prior to current solvency period